

Alstom first half 2019/20 results

Positive commercial momentum with €4.6 billion orders, leading to a backlog of €41.3 billion

Sales reaching €4.1 billion, at 3% growth (2% organic)

Continuous improvement of adjusted EBIT margin at 7.7%

Alstom in Motion outlook confirmed

6 November 2019 – Between 1 April 2019 and 30 September 2019, Alstom booked €4.6 billion of orders leading to a new record-breaking backlog of €41.3 billion. Sales reached €4.1 billion. The book-to-bill was strong at 1.1. The adjusted EBIT increased to €319 million leading to an adjusted EBIT margin of 7.7%. Net income (from continued operations, group share) amounted to €213 million. During the first half of fiscal year 2018/19, free cash flow amounted to €(19) million.

Key figures

(in € million)	Half-year ended 30 September 2018 ¹	Half-year ended 30 September 2019	% change reported	% change organic
Actual figures				
Orders backlog	38,113	41,330	8%	7%
Orders received	7,129	4,618	(35)%	(36)%
Sales	4,010	4,140	3%	2%
Adjusted EBIT ²	303	319	5%	
Adjusted EBIT margin ²	7.5%	7.7%		
Net income from continued operations ⁴ , group share	318 ³	213		
Free cash flow	172	(19)		

¹ Previous year figures have not been restated to reflect the application of IFRS 16

² aEBIT adjusted for CASCO contribution in both periods

³ Including impact linked to GE Energy JV put option valuation for €100m

⁴ Net income including discontinued operations provided in annex

“This first half, Alstom continued to achieve a high level of order intake, including emblematic contracts such as the maintenance of Santiago metro, the renewal of Barcelona metro and CDG Express in France, as well as the signalling system for Paris-Lyon high-speed line. The continuous improvement in our operational performance demonstrates the Group’s focus on profitable growth. Our new AiM strategy is now being fully deployed within the Group.” said Henri Poupart-Lafarge, Alstom Chairman and Chief Executive Officer.

Strategic and business update

This half year 2019/20 is the first semester of the Alstom in Motion strategy-(AiM) announced by Alstom on June 24 2019. The Group is already progressing on the AiM priorities:

1. Growth by offering greater value to our customers

The Group booked €4,618 million orders in the first half of fiscal year 2019/20. This compares to the exceptional performance of €7,129 million orders over the same period last year which included “TGV du Futur” and Montreal metro orders totalling €4.3 billion.

Alstom was awarded projects mainly in Europe for Rolling Stock and Services, including orders for regional trains, CDG Express and additional very high speed trains in France, maintenance in southern Europe, metro cars for Barcelona in Spain, regional trains in Netherlands, hydrogen trains in Germany with maintenance associated. Alstom has also been awarded the maintenance of the lines 2 and 4 of the metro of Santiago in Chile. In Signalling, commercial successes include the supply of ERTMS¹ to the Paris-Lyon high speed line.

The backlog reached a new record high and amounted to €41,330 million on 30 September 2019, providing strong visibility on future sales.

In the first half of fiscal year 2019/20, Alstom’s total sales reached €4,140 million, up 3% (2% organically). The book-to-bill was strong at 1.1.

Rolling stock sales reached €1,898 million (+9% organic) with, notably, deliveries of regional trains in Europe and the ramp-up of Amtrak and PRASA projects. Signalling sales increased at €723 million (+12% organic) mainly benefiting from activity in Asia Pacific and Americas. Services sales reached €718 million with the West coast maintenance contract in the UK. Systems sales decreased at €801 million with an expected ramp-down on Lusail and Riyadh systems projects. Latin America sales lowered also this half year.

2. Innovation in smarter and greener mobility solutions

Alstom sustained its level of research and development (gross costs) at €192 million, i.e. 4.6% of sales, in first half of 2019/20.

Alstom received significant green mobility orders with its two main products. The Coradia iLint hydrogen train recorded a strong commercial momentum in Germany with now two large contracts for a total of 41 trains. In France, SNCF is working with Alstom to deliver 15 regional hydrogen trains within the two coming years. The new Aptis electric buses have been already sold to five French cities (Paris, La

¹ European Rail Traffic Management System

Rochelle, Toulon, Strasbourg and Grenoble). Paris represented the largest tender for electric buses in Europe to date.

In September 2019, Alstom has been awarded a contract to supply an ERTMS Level 2 system, the most reliable and robust system to date, on over 500 kilometres of the Paris-Lyon high speed line. Paris-Lyon is the busiest route in Europe with 240 trains per day on the main section. Alstom's ATLAS signalling system will enable 16 trains to operate in each direction during peak hours, compared with 13 today, increasing capacity significantly, as well as improving reliability and safety.

3. Efficiency powered by digital

Alstom delivered an adjusted EBIT² of €319 million corresponding to a 7.7% margin in first half 2019/20, compared to €303 million corresponding to a 7.5% margin the previous year. This improvement was driven by a volume increase and operational efficiency.

All the AiM efficiency programmes have been fully launched. Among them, Alstom is now in the acceleration phase of the Smart Operations 4.0 initiative which is the digitalization of the entire operational chain of Alstom, from supply chain to manufacturing, also covering activities at client sites such as maintenance. When fully deployed, this programme will have significant positive impact: reduction in design and manufacturing times, production flexibility, asset optimization, better work environment, higher traceability.

Net Income from continued operations reached €213 million compared to €318 million the previous year which included several one-off items, in particular €100m linked to the General Electric joint venture transaction.

Earnings per share from continued operations reached €0.95 in first half 2019/20.

4. One Alstom team, agile, inclusive and responsible

Alstom is focused on the implementation of its Alstom in Motion initiatives related to corporate social responsibility, and has been attributed three important recognitions this first half:

In June 2019, after becoming the first French company to obtain the AFAQ ISO 37001 Anti-bribery certification for France and Europe in 2017, followed by Asia-Pacific in 2018, Alstom has obtained certification for its countries of operation in the regions of North America, Middle-East & Africa and Latin America.

In September 2019, Alstom has been included in the Dow Jones Sustainability Indices (DJSI), World and Europe for the ninth consecutive year, and is now in the 4th percentile of the ranking, attesting to its leading position in sustainable business practices.

² aEBIT adjusted for CASCO contribution in both periods

Alstom in France is the first railway manufacturer to obtain “RSE engage” label level 3 on ISO 26000 from AFNOR.

Solid balance sheet

During the first half of fiscal year 2019/20, the Group free cash flow was negative at €(19) million, impacted by anticipated inventories increase resulting of the ramp up of large Rolling Stock projects.

The Group had a gross cash in hand of €1,826 million at the end of September 2019 and a fully undrawn credit line of €400 million. Alstom bond debt amounted to €596 million as end of September 2019. In July 2019, Alstom reimbursed at maturity a €283 million bond.

Alstom net cash amounted to €991 million on 30 September 2019, compared to €2,325 million on 31 March 2019. Last, equity reached €3,135 million at 30 September 2019, compared to €4,159 million on 31 March 2019, in particular as a result of the dividend distribution in July 2019.

In October 2019, Alstom has successfully carried out the issuance of senior unsecured Eurobonds for a total of €700 million, at excellent financing conditions. The bonds have a seven year maturity and a fixed coupon of 0.25%, payable annually. The order book was more than three times oversubscribed.

IFRS 16

The Group adopted IFRS 16 “Leases” on 1 April 2019, according to the simplified retrospective approach, without restatement of prior period comparatives. On April 1, 2019 impact of IFRS 16 first time application on lease obligations amounted to €388 million. Lease obligations are not included in non GAAP net cash/(debt) Group definition.

Outlook

The Alstom outlook is provided at constant perimeter and exchange rates. It is set in accordance with the IFRS 15 and 16 norms.

The 2019/20 fiscal year will be a year of stabilisation of growth after a 2018/19 fiscal year with an exceptional sales and profitability growth. For 2019/20 fiscal year, the business cycle with the finalisation of major systems contracts and the evolution of large Rolling stock projects will lead to a sales and margin growth lower than the average objectives set in the context of AiM, and to a working capital evolution impacting the generation of free cash flow³.

³ The free cash flow generation is subject to usual short-term volatility linked to customers down payments and milestone payments from customers

Up to March 2023, Alstom targets an average annual growth rate of sales around 5% over the period 2019/20 – 2022/23, an adjusted EBIT margin⁴ to reach around 9% in 2022/23, a conversion from net income⁵ to free cash flow above 80% by 2022/23³ and a dividend policy with a pay-out ratio between 25% and 35%.

Furthermore, Alstom will conduct a disciplined investment and external growth transactions policy to support its development and to create value.

*

The management report and the consolidated financial statements, as approved by the Board of Directors, in its meeting held on 5 November 2019, are available on Alstom's website at www.alstom.com. The accounts have been reviewed by the auditors.

About Alstom

Leading the way to greener and smarter mobility worldwide, Alstom develops and markets integrated systems that provide the sustainable foundations for the future of transportation. Alstom offers a complete range of equipment and services, from high-speed trains, metros, trams and e-buses to integrated systems, customised services, infrastructure, signalling and digital mobility solutions. Alstom recorded sales of €8.1 billion and booked orders of €12.1 billion in the 2018/19 fiscal year. Headquartered in France, Alstom is present in over 60 countries and employs 36,300 people.

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This press release contains forward-looking statements which are based on current plans and forecasts of Alstom's management. Such forward-looking statements are relevant to the current scope of activity and are by their nature subject to a number of important risks and uncertainty factors (such as those described in the documents filed by Alstom with the French AMF) that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements. These such forward-looking statements speak only as of the date on which they are made, and Alstom undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

⁴ Including the share of net income of the joint venture with CASCO held by Alstom at 49%

⁵ Net profit from continuing operations attributable to equity holders of the parent

APPENDIX 1A – GEOGRAPHIC BREAKDOWN

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Europe	4,303	60%	3,900	84%
Americas	1,705	24%	413	9%
Asia / Pacific	922	13%	255	6%
Middle East / Africa	199	3%	50	1%
Orders by destination	7,129	100%	4,618	100%

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Europe	16,858	44%	20,040	48%
Americas	6,485	17%	6,220	15%
Asia / Pacific	5,345	14%	5,617	14%
Middle East / Africa	9,425	25%	9,453	23%
Backlog by destination	38,113	100%	41,330	100%

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Europe	1,982	50%	2,269	54%
Americas	728	18%	687	17%
Asia / Pacific	450	11%	458	11%
Middle East / Africa	850	21%	726	18%
Sales by destination	4,010	100%	4,140	100%

APPENDIX 1B – PRODUCT BREAKDOWN

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Rolling stock	3,959	56%	2,435	53%
Services	1,416	20%	1,453	31%
Systems	1,091	15%	51	1%
Signalling	663	9%	679	15%
Orders by destination	7,129	100%	4,618	100%

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Rolling stock	19,682	52%	21,340	52%
Services	11,284	29%	13,273	32%
Systems	3,741	10%	2,961	7%
Signalling	3,406	9%	3,756	9%
Backlog by destination	38,113	100%	41,330	100%

Actual figures <i>(in € million)</i>	H1 2018/19	% Contrib.	H1 2019/20	% Contrib.
Rolling stock	1,736	43%	1,898	46%
Services	749	19%	718	17%
Systems	888	22%	801	19%
Signalling	637	16%	723	18%
Sales by destination	4,0	100%	4,140	100%

APPENDIX 2 – INCOME STATEMENT

Actual figures <i>(in € million)</i>	H1 2018/19*	H1 2019/20
Sales	4,010	4,140
Adjusted Earnings Before Interest and Taxes (aEBIT)**	303	319
Restructuring charges	(34)	(7)
Other charges	(50)	(31)
Earnings Before Interest and Taxes (EBIT)	219	281
Financial result	(46)	(40)
Tax result	(12)	(61)
Share in net income of equity investees***	161	36
Minority interests from continued operations	(4)	(3)
Net income – Continued operations – group share	318	213
Net income – Discontinued operations****	245	14
Net income – Group share*****	563	227

*Previous year figures have not been restated to reflect the application of IFRS 16

**aEBIT adjusted for CASCO contribution in both periods Casco JV share of net income for both periods: €18m in 2018/19 and €19m in 2019/20

***Of which GE Energy JV put option valuation impact for €100m

****Mostly linked to GE Energy JV transaction.

***** Variation YoY not reflecting Alstom's transport core business, explains why this indicator is in annex and not a "key figure"

APPENDIX 3 – FREE CASH FLOW

Actual figures <i>(in € million)</i>	H1 2018/19*	H1 2019/20
EBIT	219	281
Depreciation and amortisation	89	145
Restructuring cash-out	15	(9)
Capital expenditure	(85)	(60)
R&D capitalisation	(27)	(32)
Change in working capital	17	(323)
Financial cash-out	(29)	(37)
Tax cash-out	(73)	(54)
Other	46	70
Free cash flow	172	(19)

* Previous year figures have not been restated to reflect the application of IFRS 16

APPENDIX 4 - NON-GAAP FINANCIAL INDICATORS DEFINITIONS

This section presents financial indicators used by the Group that are not defined by accounting standard setters.

Orders received

A new order is recognised as an order received only when the contract creates enforceable obligations between the Group and its customer.

When this condition is met, the order is recognised at the contract value.

If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires the immediate elimination of currency exposure through the use of forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

Order backlog

Order backlog represents sales not yet recognised on orders already received.

Order backlog at the end of a financial year is computed as follows:

- order backlog at the beginning of the year;
- plus new orders received during the year;
- less cancellations of orders recorded during the year;
- less sales recognised during the year.

The order backlog is also subject to changes in the scope of consolidation, contract price adjustments and foreign currency translation effects.

Book-to-Bill

The book-to-bill ratio is the ratio of orders received to the amount of sales traded for a specific period.

Adjusted EBIT

When Alstom's new organisation was implemented in 2015, adjusted EBIT ("aEBIT") became the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

Going forward (1st application for Half Year 2019/2020 publication), Alstom has opted for the inclusion of the share in net income of the equity-accounted investments into the aEBIT when these are considered as part of the operating activities of the Group (because there are significant operational flows and/or common project execution with these entities), namely the CASCO Joint Venture. The company believes that bringing visibility over a key contributor to the Alstom signalling strategy will provide a fairer and more accurate picture of the overall commercial & operational performance of the Group. This change will also enable more comparability with what similar market players define as being part of their main non-GAAP 'profit' aggregate disclosure.

aEBIT corresponds to Earning Before Interests and Tax adjusted for the following elements:

- net restructuring expenses (including rationalization costs);
- tangibles and intangibles impairment;
- capital gains or loss/revaluation on investments disposals or controls changes of an entity;
- any other non-recurring items, such as some costs incurred to realize business combinations and amortisation of an asset exclusively valued in the context of business combination as well as litigation costs that have arisen outside the ordinary course of business;
- and including the share in net income of the operational equity-accounted investments.

A non-recurring item is a “one-off” exceptional item that is not supposed to occur again in following years and that is significant.

Adjusted EBIT margin corresponds to Adjusted EBIT in percentage of sales.

The non-GAAP measure adjusted EBIT (aEBIT hereafter) indicator reconciles with the GAAP measure EBIT as follows:

<i>(in € million)</i>	Half-year ended 30 Sept. 2018**	Half-year ended 30 Sept. 2019
Adjusted Earnings Before Interest and Taxes (aEBIT)*	303	319
Restructuring costs	(34)	(7)
PPA amortisation and integration costs	(7)	(8)
CASCO contribution reversal	(18)	(19)
Others and asset impairment	(25)	(4)
Earnings Before Interest and Taxes (EBIT)	219	281

*aEBIT adjusted for CASCO contribution in both periods

** Previous year figures have not been restated to reflect the application of IFRS 16

Free cash flow

Free cash flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

The most directly comparable financial measure to free cash flow calculated and presented in accordance with IFRS is net cash provided by operating activities.

A reconciliation of free cash flow and net cash provided by operating activities is presented below:

<i>(in € million)</i>	H1 2018/19*	H1 2019/20
Net cash provided by / (used in) operating activities	282	70
Capital expenditure (including capitalised R&D costs)	(111)	(92)
Proceeds from disposals of tangible and intangible assets	1	3
Free cash flow	172	(19)

* Previous year figures have not been restated to reflect the application of IFRS 16

Alstom uses the free cash flow both for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight regarding the actual amount of cash generated or used by operations.

Net cash/(debt)

The net cash/(debt) is defined as cash and cash equivalents, other current financial assets and non-current financial assets directly associated to liabilities included in financial debt, less financial debt.

<i>(in € million)</i>	Year ended 31 March 2019	Half-year ended 30 Sept. 2019
Cash and cash equivalents	3,432	1,826
Other current financial assets	10	20
Financial non-current assets directly associated to financial debt	201	-
<i>Less:</i>		
Current financial debt	1,032	745
Non-current financial debt	286	110
Net cash/(debt) at the end of the period	2,325	991

Due to IFRS 16 implementation at 1 April 2019, the Group has chosen to exclude lease obligations from the net cash/(debt) which results in a change in net cash/debt of €(15)m at IFRS 16 first application. From 1 April 2019, the net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial asset, less borrowings. Previous year figures have not been restated to reflect the application of IFRS 16. As of September 30 2019, impact of the leasing obligations on financial debt amounts to €410m.

Organic basis

Figures given on an organic basis eliminate the impact of changes in scope of consolidation and changes resulting from the translation of the accounts into Euro following the variation of foreign currencies against the Euro. The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means to analyse and explain variations from one period to another. However, these figures are not measurements of performance under IFRS.

<i>(in € million)</i>	Half-year ended 30 Sept. 2018*			Half-year ended 30 Sept. 2019			
	Actual figures	Exchange rate	Comparable Figures	Actual figures	Comparable Figures	% Var Act.	% Var Org.
Backlog	38,113	682	38,795	41,330	41,330	8%	7%
Orders	7,129	63	7,192	4,618	4,618	(35)%	(36)%
Sales	4,010	49	4,059	4,140	4,140	3%	2%

* Previous year figures have not been restated to reflect the application of IFRS 16

